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SUBJECT: RUSSIA RETURNS TO GUANGZHOU AFTER ABSENCE OF 45 YEARS

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11. (SBU) Russia's recently arrived Consul General in Guangzhou, Sergei Kotov, the son and grandson of Russian diplomats and sinologists, has a big job ahead of him - renovating the old Soviet-era consulate building abandoned these past 45 years, signing contracts for a diplomatic office with an unhelpful foreign affairs office offering "advice" about lease terms, getting enough Chinese-language speakers from Moscow to staff a consular district which covers the same provinces that the U.S. Congen does, and providing services to a Russian population that is growing by leaps and bounds in south China. Taking these concerns from the top:

-- The consulate building. The building on Shamian Island, nearby the U.S. consulate, has been vacant for 45 years, since Russia closed all of its consulates in China in 1962 during an era, Kotov characterized as "full of misunderstandings and at times the potential for violent clashes." The building itself, over 90 years old, was originally purchased from a British trader in the 1920s,, and had been used for 43 of the last 45 years as housing for FAO staff. The FAO staff began lobbying 4-5 years ago for decent housing and was moved into better quarters two years ago; the staff's treatment of the building and the lack of any upkeep brought about a deterioration that has left little more than a facade. The Russians are committed to returning the building to its prior glory, at a cost of many millions of dollars, and their equivalent of OBO and SOM will be arriving here in the next six months to look at what can be done in the way of renovations. After that he said, it will be time to do battle with the Urban Planning Office, which has already indicated that it would "welcome" an opportunity to review blueprints for the inside as well as for the outside.

-- Temporary diplomatic office. Kotov seems resigned to being in temporary quarters for the next 18-24 months. The FAO has been less than helpful in assisting him with setting up an office, noting that Russia should consider signing a three-year lease for space rather than the two years that Russia has in mind. When asked about measures that Russia would take to protect the confidentiality of information, he laughed and indicated that it was unlikely there would be much of a confidential nature. As for equipment in the "classified" area, he said that all materials would be purchased in China and then "checked" prior to installation.

-- Chinese-language diplomats. Not many of them to go around, Kotov opined. His staff, in the first six months, will consist of three other officers, two of whom speak "decent" Chinese and the other who will largely be an inside person working on consulate and temporary office space.

-- Providing services to the Russian population. There are two thousand Russians in Guangzhou and ten thousand in the consular district, according to Kotov. This figure, he told us, is roughly

half of the total number of Russians in China. A number of them are older, retired pensioners who have sold off their real estate and other possessions in Russia and are now living pretty well in the south. According to Kotov, many Russians are investing in manufacturing in Guangdong, with the sole purpose of selling here. He did acknowledge that the price of admission in terms of commerce is usually a willingness to share high technology with Chinese enterprises, but pointed out that this was a requirement levied on most foreign companies.

12. (SBU) As for south China trade with Russia - which Kotov said was far more important than the border trade to the north - Party Secretary Zhang Dejiang is planning to lead a delegation to Russia

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in the early fall. Zhang's trip is a signal to "private" entrepreneurs in Zhejiang and Jiangsu, who until now have controlled commerce between China and Russia, that Guangdong intends to be a "player" in the overall trade relationship.

3.(SBU) Kotov, who served in Beijing from 1994 through 1997 working on bilateral relations, has been involved in working on Russia's "return" to Guangzhou (agreed to originally in 1994) for the better part of the past two years. He has traveled here five or six times and met primarily with former FAO Deputy Director (and now Director) Fu Lang, whom he characterized as well meaning but often unable to bring closure on any issue. He asked about our experience here - and about all we could do was commiserate. Closure on issues, the CG noted, would be nice, but perhaps all we could ask for at times was to move the FAO's default point from "no" to "maybe."

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